

Ministry of Finance, including Director of Collection, Customs, and Excise; Director of Auditing; and Assistant Director General.

5. In my current position as Director General of Customs, Excise and VAT, I report directly to the Minister of Finance.

6. I understand that this Declaration is being submitted in *Knox v. PLO*, Civil Action No. 03-cv-4466 (VM) (TK), and that the plaintiffs in that case have asked the Court to vacate the default judgment on the condition that the PNA/PLO provide security in the full amount of the judgment by “post[ing] security now in the amount of \$26 million” and continuing “to post security in the amount of \$10 million per month, during the pendency of this action, until the full amount of the judgment has accumulated or the case is concluded (whichever is earlier).”

7. I further understand that plaintiffs in the *Knox* case are asserting that the PNA receives from the State of Israel tax transfers of between 250 million to 300 million New Israeli Shekels (“NIS”) each month.

8. I have been asked to provide information on the average monthly tax transfers from the State of Israel and address the impact on the PNA budgetary shortfall if an additional \$10 million per month were diverted for securing judgments in U.S. litigation.

9. The State of Israel collects a variety of taxes on behalf of the Palestinian National Authority. These taxes include import taxes, petroleum taxes, value added taxes, and local purchase taxes. In 2008, the average amount of the monthly taxes collected by the State of Israel was approximately NIS 326 million. Before, however, these tax revenues are transferred to the PNA, Israel makes significant deductions for water, electricity, and sewage services provided to the PNA. In 2008, these deductions averaged approximately NIS 95 million per month, resulting in an average net transfer of approximately NIS 231 million of 2008. Because the NIS-U.S.

dollar exchange rate is about four NIS to one dollar, the average monthly transfer, after these deductions, is approximately \$57.75 million.

10. Beginning with the transfers for September 2008, the State of Israel began withholding an additional NIS 18 million per month from the tax transfers pending the Israel Supreme Court decision on whether a U.S. judgment in the *Ungar* litigation is enforceable in Israel. NIS 18 million (or \$4.5 million) will be withheld until the full \$ 116 million is attached or until the Supreme Court rules favorably for the PNA. After the NIS 18 million deduction for the *Ungar* case, the PNA receives an average net transfer of approximately NIS 213 million per month (NIS 231 million less NIS 18 million), or approximately \$53.25 million.

11. If the Court were to require the PA to withhold another \$10 million dollars a month from the transfers for purposes of satisfying a bond requirement in the *Knox* litigation, the PA's monthly revenue from the tax transfers would be reduced to approximately \$43.25 million. Thus, plaintiffs in two U.S. litigation matters would have reduced the PNA's tax transfers from \$57.75 million to \$43.25 million, or approximately 25%. The \$10 million per month deduction proposed by the *Knox* plaintiffs would result in a nearly 20% reduction from the current net transfer amount (\$10 million of the \$53.25 million transferred a month after the *Ungar* amount is deducted).

12. Attached as Exhibit A is a true and correct copy of a Ministry of Finance spreadsheet prepared under my direction that itemizes the tax transfer revenue and deduction items on a monthly basis for the year 2008. The amounts shown are in New Israeli Shekels.

13. The tax transfers are a major source of revenue for the PNA. Attached as Exhibit B is a true and correct copy of the Ministry of Finance General Budget Department's "PNA Budget projections for 2009," which includes actual budget amounts for 2007 and 2008 as well

as the projected budget for 2009. The amounts shown are in U.S. Dollars. In 2008, the transfers (denominated as “clearance” in Exhibit B) before deductions (denominated as “net lending”) constituted \$1,122 million of the PNA’s \$1,568 million net revenue.

14. The PNA is projecting a budget deficit of \$1,653 million for 2009, \$1,150 million of which will need to be provided by the international donor community. *See* Exh. B (“Budget Support”).

15. Given that the PNA is faced with a 2009 budget deficit of over \$1.5 billion, or 26% of the PNA’s GDP (*see* Exh. B) (“Total Deficit” = \$1.653 billion) and must again turn to the international donor community to meet its basic budget needs, the PNA cannot afford to lose another significant portion of its primary revenue source to secure a bond for the *Knox* plaintiffs.

16. I understand that the plaintiffs have argued that the monthly tax transfers to the PNA constitute a “massive monthly income stream” and that its operations will not be disrupted by diverting \$10 million a month to posting a bond. As a senior official of the PNA Ministry of Finance and as Director General of Customs, Excise and VAT for the Finance Ministry, I attest to the fact that the monthly tax transfers are not a “massive monthly income stream,” especially in light of the PNA’s substantial budget deficit. The PNA operates at a significant deficit and a reduction in tax transfer revenues only further increases the budget deficit by a corresponding amount. Moreover, the PNA depends on support from the international donor community. The

donor community will not continue to provide funds if hundreds of millions of dollars are to be diverted to a handful of U.S. plaintiffs.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on this 11th day of March, 2009, in Ramallah, Occupied Palestinian Territory.



Hatem Yousef
Director General of Customs, Excise and VAT
Ministry of Finance
Palestinian National Authority

In the Name of Allah the Most Gracious the Most Merciful

The Palestinian National Authority
Ministry of Finance
Department of Customs, Excise and Tobacco
Directorate General/ Department of Accounts

Report on the clearinghouse meeting for cash basis settlements in 2008

100%	Total	Dec-2008	Nov-2008	Oct-2008	Sep-2008	Aug-2008	Jul-2008	Jun-2008	May-2008	Apr-2008	Mar-2008	Feb-2008	Jan-2008	Item
34	1,313,302,405	144,679,378	108,211,881	83,700,615	130,402,461	121,210,465	133,058,030	114,949,066	98,059,004	56,318,142	81,710,405	92,000,760	98,002,068	Import tax
31	1,226,083,426	87,815,275	105,436,400	125,829,812	107,812,193	100,882,151	98,645,992	94,847,368	102,282,322	104,771,169	95,756,611	106,382,043	97,511,993	Petrol tax
35	1,355,716,848	87,409,374	90,242,405	130,717,929	133,658,711	126,853,256	121,379,385	111,215,686	128,668,788	124,018,309	107,280,137	102,592,360	101,270,481	V.A.T.
	12,791,949	-50,588	1,235,444	1,520,925	844,725	982,007	1,067,044	357,830	1,882,977	1,034,558	827,277	109,497	3,000,853	Local purchases
100	3,017,894,628	319,853,319	306,126,234	351,869,381	372,727,590	349,917,879	352,150,454	321,369,980	330,893,091	326,142,175	285,574,430	301,484,680	299,785,395	Total revenues
														Deductions
	159,874,083	16,211,606	12,648,659	16,896,826	15,245,844	15,507,678	12,905,968	14,122,850	12,153,550	10,889,488	11,103,100	10,232,111	12,175,393	Water
	808,000,000	0	80,000,000	100,000,000	113,000,000	0	110,000,000	40,000,000	140,000,000	100,000,000	25,000,000	100,000,000	0	Electricity
	130,668,537	0	0	11,288,159	0	28,777,880	0	36,000,810	29,289,271	0	25,312,337	0	0	Health
	36,875,583	0	0	1,891,241	0	12,447,811	8,000,000	1,502,260	0	1,749,725	0	10,725,000	0	Sewage
	1,749,725	0	0	0	0	0	0	0	0	0	0	0	0	Ministry of Agriculture
	2,085,473	0	0	0	0	0	0	0	0	0	2,085,473	0	0	Civil affairs management
	1,085,367	0	0	0	0	1,065,367	0	0	0	0	0	0	0	Stamps
	1,315,072	0	654,385	0	0	0	0	450,100	0	0	15,290	0	195,297	Insurance companies
	0	0	0	0	0	0	0	0	0	0	0	0	0	Insurance demanded for lawyers
	72,000,000	18,000,000	18,000,000	18,000,000	18,000,000	0	0	0	0	0	0	0	0	New courtrooms
	1,213,653,840	34,211,606	111,304,044	145,984,955	148,137,085	57,816,716	130,905,966	92,075,060	181,442,831	112,619,213	65,825,531	120,957,111	12,370,590	Total deductions
	2,704,240,788	285,641,731	194,822,190	205,884,396	224,590,505	292,099,163	221,244,488	229,293,920	149,450,250	213,522,962	219,748,899	180,527,569	287,414,705	Payable amount for the month
		Dec-08	Nov-08	Oct-08	Sep-08	Aug-08	Jul-08	Jun-08	May-08	Apr-08	Mar-08	Feb-08	Jan-08	Month in which the installment will be paid
	2,620,517,496	194,332,190	205,584,396	224,590,505	281,600,000	220,000,000	220,282,820	149,460,260	213,622,962	219,748,899	180,527,569	287,414,705	264,282,089	Payment in current month for 1 month, 12/2007
	0	0	0	0	0	0	0	0	0	0	0	0	0	Payment on the account of interest on the balance
	97,862,505	3,177,810	115,804	1,009,402	0	0	708,080	30,549,740	1,477,038	23,251,101	20,051,726	0	16,737,911	Payment from the account
	20,000,000	0	0	0	0	0	0	0	0	0	9,414,705	-8,414,705	20,000,000	Payment on account (import and petrol)
	0	0	0	0	0	0	0	0	0	0	0	0	0	Payment in the bank
	2,738,500,000	198,000,000	205,000,000	226,500,000	291,000,000	229,000,000	230,000,000	180,000,000	215,000,000	243,000,000	210,000,000	278,000,000	241,000,000	
	262,000,000	Transfer on January 4, 2008 for payables on December 2008												
	3,020,500,000	Total of transfers for 2008												

Mahmoud Hmoudha
Assistant Director General
Director of the Department of Accounts
of Customs, Excise and Added Value Tax

Ministry of Finance
General Budget Department

PNA Budget projections for 2009

Figures in Million Dollars

	2007(Actual)	2008 (Budget)	2008 (Actual)	2009 (Budget)
Net Revenue	1,272	1,632	1,568	1,630
Domestic	401	564	562	625
- Tax	202	253	273	273
- Non- Tax	122	166	234	253
- Dividends (1)	78	146	55	100
Clearance	896	1,087	1,122	1,123
Tax Refund	25	20	116	118
- VAT	25	20	47	53
- Petroleum	0	0	69	65
Expenditures	2,543	2,845	2,825	2,780
Wages	1,283	1,481	1,453	1,410
% of GDP	25%	24%	23%	22%
Non- wages	725	964	925	990
- Operations	239	399	291	432
- Transfers	486	565	634	558
Net lending	535	400	447	380
Rec. Deficit	-1,271	-1,213	-1,257	-1,150
% GDP	25%	20%	20%	18%
Dev. Expenditure	131	492	250	503
Repayment of arrears (net)	-23	-217	-387	0
Total Deficit	-1,426	-1,922	-1,894	-1,653
% of GDP	28%	32%	29%	26%
Financing	1,426	1,922	1,894	1,653
- Budget Support	1,011	1,634	1,763	1,150
- Develop. Finan.	100	492	250	503
- Clearance Revenue released from past collections	421		15	
Bank Financing	-106	-204	-134	
GDP	5,070	6,088	6,425	6,303
Exchange Rate	4.1	3.6	3.6	4

(1) This figure for 2008 excludes \$US 197 million which the PIF used to reduce the PNA's indebtedness to it.